Module 6 - Environmentally Responsible Management

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Advanced Planner

• Pre-reading
  – 1. Bringing the Environment Down to Earth
  – 2. Preface to Capitalism 3.0
  – 3. Starbucks and Conservation International
    • In-class Assignment – Evaluate Starbucks Supply Chain for Greenness
  – Quiz – Take the on-line quiz covering reading

• Session 1 - Aligning Environmental and Managerial Interests
Advanced Planner

- Pre-reading for session 2 and 3
  - “Tradeable Pollution Credits Game”. Game will be played in the second session
  - “Sustainability at Hewlett-Packard: From Theory to Practice” – Session 3
  - “How Should We Dry Our Hands?”. Due session 3

- Session 2 - Alternative Approaches to Meeting Environmental Goals
Advanced Planner

- Session 3 - Organizing the firm for Environmental Sustainability

- Evaluation:
  - Pre-reading quiz – 5 points
  - How shall we wash our hands – 5 points
  - Class participation – 5 points
“Best Practices” for the Environment

- What is a “best practices”, anyway?
  - **Best Practice** is a management idea which asserts that there is a technique, method, process, activity, incentive or reward that is more effective at delivering a particular outcome than any other technique, method, process, etc. The idea is that with proper processes, checks, and testing, a project can be rolled out and completed with fewer problems and unforeseen complications. (Wiki)
Best Practices We’ll Cover

- Aligning environmental and profit goals (the triple bottom line)
- Green Supply Chains
- Environmental Management Systems (ISO14000)
- Cap and Trade approaches
- Using full cost accounting
- Creating a culture of sustainability
Objectives of the Firm

• What is the primary objective of all managers in for-profit firms?

• How might this objective be expressed in a triple bottom line (“3BL” – People, Planet, Profit)?
Aligning Environmental and Managerial Interests

- Introducing Starbucks - video
- How does Starbucks obtain coffee? What is their “supply chain”?
- How does Starbucks provide customer value in its “value chain”? What customer “value” do they create?
Value Chain

Value Chain Analysis
helps to identify which resources and capabilities can add value

Firm Infrastructure
Human Resource Management
Technological Development
Procurement
Inbound Logistics
Operations
Outbound Logistics
Marketing & Sales
Service

Primary Activities
Support Activities
MARGIN
MARGIN
Starbucks Questions

• What motivates Starbucks to be in the coffee business?

• What motivates Starbucks to be concerned with the environment?
Enlightened Self Interest

• What is it?
  – enlightened self-interest – a self-interest that values relationships and ethics as important dimensions of our individual well being. (John Ikerd, 1999)
  – How does this explain Starbucks’ actions?
  – Is enlightened self-interest enough to bring about a sustainable economy?
Reality Check

• Are there any other self-interests that Starbucks is pursuing?
  – Consider Starbucks’ customer base / reputation
  – Consider the markup of coffee:
    • Typical coffee prices are $.50 to $1.00 per pound
    • The coffee then makes its way to your cup at a markup of 1200-1500% (or more) from the prices that are paid to farmers.
  – Compare this to the steel or auto industry
More on Starbucks

• What about the culture and geographic origin of Starbucks and their history might explain their approach to CSR?

• Review Starbucks procurement
  – How does the product flow from tree to cup
  – How might Starbucks manipulate the market for gain?
More on Starbucks

- Why partner with Conservation International? How did CI differ from EDF (Environmental Defense Fund)?
- What were the goals of the Chipas Project? Were they achieved? Was the Chipas model directly extensible to other locations?
More on Starbucks

• Evaluate how Starbucks responded to Fair Trade protests.
• Evaluate the Fair Trade model and its focus on solidarity of small farmers and price. What are they missing?
• Looking forward (p. 16) – respond to the case writer’s list of items.
• Review of exhibits